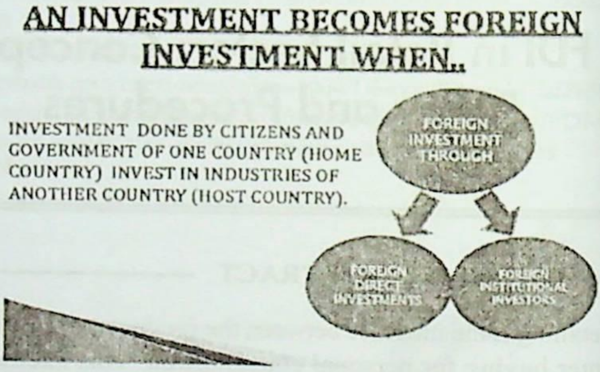
to attract larger amounts of foreign direct investment than closed, F
regulated economies.



EXPLAIN: 'FOREIGN DIRECT INVESTMENT - FDI'

The investing company may make its overseas investment in a nur
of ways – either by setting-up a subsidiary or associate company in
foreign country, by acquiring shares of an overseas company, or thro
a merger or joint venture. The accepted threshold for a foreign di
investment relationship, as defined by the OECD, is 10%. That is,
foreign investor must own at least 10% or more of the voting stoc
ordinary shares of the investee company. An example of foreign di
investment would be an American company taking a majority stak
a company in China.

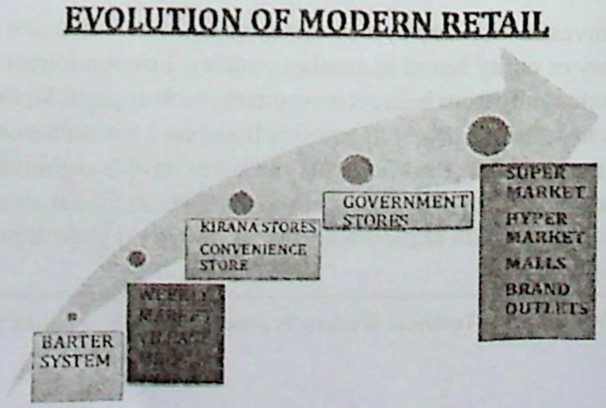


Table-1 : Countries with Higher Estimated Level of FDI Inflows than India in 2010

	Amount (US$ billion)				Variation (Percent)		
	2007	2008	2009	2010 (Estimates)	2008	2009	2010 (Estimates)
World	2100.0	1770.9	1114.2	1122.0	-15.7	-37.1	0.7
Developed Economies	1444.1	1018.3	565.9	526.6	-29.5	-44.4	-6.9
United States	266.0	324.6	129.9	186.1	22.0	-60.0	43.3
France	96.2	62.3	59.6	57.4	-35.2	-4.3	-3.7
Belgium	118.4	110.0	33.8	50.5	-7.1	-69.3	49.4
United Kingdom	186.4	91.5	45.7	46.2	-50.9	-50.1	1.1
Germany	76.5	24.4	35.6	34.4	-68.1	45.9	-3.4
Developing Economies	564.9	630.0	478.3	524.8	11.5	-24.1	9.7
China	83.5	108.3	95.0	101.0	29.7	-12.3	6.3
Hong Kong	54.3	59.6	48.4	62.6	9.8	-18.8	29.3
Russian Federation	55.1	75.5	38.7	39.7	37.0	-48.7	2.6
Singapore	35.8	10.9	16.8	37.4	-69.6	54.1	122.6
Saudi Arabia	22.8	38.2	35.5	-	67.5	-7.1	-
Brazil	34.6	45.1	25.9	30.2	30.3	-42.6	16.6
India	25.0	40.4	34.6	23.7	61.6	-14.4	-31.5

Source: World Investment Report, 2010 and Global Investment Trends Monitor, UNCTAD.

GLOBAL TRENDS IN FDI INFLOWS

FDI Policy with Regard to Retailing in India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

(*a*) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

(*b*) FDI up to 51 % with prior Government approval (*i.e.*, FIPB) for r trade of_Single Brand' products, subject to Press Note 3 (2006 Ser

(*c*) FDI is not permitted in Multi Brand Retailing in India.2.5 Prospec Changes in FDI Policy for Retail Sector in India.

The Government (led by Dr.Manmohan Singh, announced follow prospective reforms in Indian Retail Sector

1. India will allow FDI of up to 51% in —multi-brand sector.
2. Single brand retailers such as Apple and Idea, can own 100% of th Indian stores, up from previous cap of 51%.
3. The retailers (both single and multi-brand) will have to source at lea 30% of their goods from small and medium sized Indian supplier
4. All retail stores can open up their operations in population havin over 1million.Out of approximately 7935 towns and cities in Indi 55 suffice such criteria
5. Multi-brand retailers must bring minimum investment of US$ 10 million. Half of this must be invested in back-end infrastructure faciliti such as cold chains, refrigeration, transportation, packaging etc. t reduce post-harvest losses and provide remunerative prices to farmer

THE CRAWLING ADVANTAGES

Analysis of FDI flows in trade indicates that, over the 1990s developed countries faced market saturation and became relatively les attractive to foreign investors. Instead, developing countries and Centra and East European countries became increasingly attractive to foreig investors. Adoption of liberalized policy for the Multi-brand retail secto would be more of a positive step as it would bring added advantage o the following:

1. Foreign Direct Investment (FDI) is one of the major sources o investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise and research and development in the host country.
2. With the growth of organized retailing, the average size of shops is increasing; both in terms of turnover and employment and the density of retail outlet is declining. Moreover many retailers have entered into joint ventures, strategic alliances and co-operation agreements. This in turn result into growth of economy and adding to it will give

opportunities to young Human Resource of the nation to exploit the resources in the prevalent competitive environment.

3. FDI can be a powerful catalyst to spur competition in industries characterized by low competition and poor productivity. Examples include the cases of consumer electronics in Brazil and India, food retail in Mexico and auto in China, India and Brazil.
4. FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity. It can bring about:
   - Supply Chain Improvement
   - Investment in Technology
   - Manpower and Skill development
5. The retail sector is severely constrained by limited availability of bank finance. The Government and the RBI need to evolve suitable policies to enable retailers in the organized and unorganized sector to expand and improve efficiencies.

MPACT OF 51 PERCENT FDI IN INDIAN RETAIL

Overview

India is one of the fastest growing retail markets in the world. The etail sector in India is a key contributor to the country's economy and vas responsible for contributing 22 percent to Gross Domestic Product GDP) in 2011. In 2012, the Government of India framed some major beralization policies to support and promote this sector.

According to the policy, henceforth, foreign retailers will be allowed o hold 51 percent stake in multi-brand retailing and 100 percent in single rand formats. This has opened up new dimensions in the Indian retail ector. Hence, some heavy weighted brands of the global retail industry uch as Walmart and Tesco are expected to put a foot in the door to nvestment in India's retail sector.

OSSIBLE OUTCOMES OF THE POLICY

The positive outcomes of the policy are as follows:

1. Foreign retail companies have to be source at least 30 percent of the commodities from small and micro industries. This is expected to boost the country's domestic manufacturing industry.

2. The minimum investment limit has been set at USD 100 millio foreign companies, out of which at least 50 percent must be in bac infrastructure segment. This is anticipated to improve transporta distribution, storage and packaging facilities and develop farm a infrastructure.
3. Due the FDI initiative, the concept of the middleman, which subjugated farmers in India for decades, can be eradicated. Far can now get the full benefit of their produce.
4. Foreign companies are expected to take some constructive step the creation of supply chain. Previously the country had suff huge losses due to under developed refrigeration Impact o percent FDI in Indian Retail facilities. Now with the entr foreign players, storage and refrigeration infrastructure will imp significantly.
5. Job opportunities in sectors such as transportation, packag agriculture processing and such like are expected to thrive. Accor the Government of India, FDI in retail sector is capable of genera approximately 4 million direct jobs and around 5 to 6 million ind jobs within a span of 10 years.

DISADVANTAGES OF FDI POLICY

1. Small retailers and owners of Pop and Mom stores might suffe the large retailers like Walmart and Tesco are likely to ease out t small and micro-level shop owners.
2. There might be job losses in the manufacturing segment. Th the Government has capped the sourcing of commodities from domestic market at 30 percent, the rest of the 70 percent can be bo from the foreign markets.
3. The Indian retailers might not be able to cope up with the increa competition from the foreign retailers who are well equipped better infrastructure and management procedure. Slowly this m lead to the replacement of the Indian retailers to a consider extent
4. Also the Indian brands for various products might tend to lose importance. As the foreign brands will be available at a larger the consumer's inclination towards international brands might a the country's in-house brands

IMPACT ANALYSIS

FDI in the retail market will impact the industry in a number ways. Some of them are as follows:

- With the entrance of foreign retailers such as Walmart, Ikea, Tesco, Abercrombie and Fitch, Amazon and others into the Indian market, a streamlining of the existing retail partnerships is expected
- The share of foreign players in the industry is estimated to increase to 10 - 12 percent by 2015, from the current range of 5 - 7 percent.
- The value of the Indian retail market stood at USD 435 billion in 2010, with the 7 percent share of modern retail. The retail market is expected to grow to USD 535 billion by 2013
- Due to the terms and conditions of FDI investments, like the minimum limit of USD 100 million and 50 percent to be ploughed into backend infrastructure, the Indian supply chain is likely to benefit. Sophisticated foreign technology will considerably boost the domestic supply chain through efficient storage and transportation facilities, resulting in minimizing wastage
- With the entry of new players into the retail industry, the demand for agricultural products is set to rise. This is anticipated to increase the productivity output of Indian agriculture and bring better farming practices into the agriculture sector
- In the next two years, the entry of fresh foreign retailers into the Indian retail industry is expected to increase
- The unorganized retail sector also projected to grow, but at a slower pace. The quality and diversity of products in the sector is also expected to improve.
- Indian consumers will have better accessibility to a wide range of foreign brands the rise in competition will force Indian retailers to work on enhancing the quality of their products.

CONCLUSION

It is widely believed that foreign investment is a key component in the growth process of any developing country. But it is not the only factor that could help for the sustained growth. It must be supported by well planned

micro and macro-economic policies. These policies taken together cre
a viable investment climate. The Foreign Direct Investment and politic
sensitive multi brand retail have been facing a lot of trouble being uni
and worked upon. The challenge lies in the 2 side issue-debate with m
brand industrialist and domestic retailers. While the former believe t
industrial lobby group representing foreign companies and industries
seeking towards investment, the latter fear for their future.

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Challenges and Future Prospectus in Indian Retail Sector of FDI

*Mrs. Ashvini D. Sakalkar**

ABSTRACT

This paper provides information about the growth of retailing industry, opportunities and future prospectus faced by retail sector in India. India is recognized as the major retail market in the world next to China. Organized retailing is at present in a promising stage in India. According to the Investment Commission of India, the retail sector is expected to grow about three times its current levels to $660 billion by 2015. The sector is the major source of employment after agriculture. Nearly 40 million people employed in retail sector which accounts for 8% of the total employment and 4% of the entire population. The overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15% over the next 5 years from INR 23 trillion in 2011-12 to INR 47 trillion in 2016-17. The Government of India recently launched a package of landmark reforms on September 14, 2012 allowing Foreign Direct Investment in multi-brand retail among other sectors. The policy is a strong statement of purpose from the Government with revere to multi brand retailing and will also give surety international retailers about the extended opportunity for retail in India. This opportunity will see investments occurrence in frontend retail, supply chain and wholesale. Some accomplishment issues such as perm:ission from State Governments, 30% sourcing

*Research Scholar, Jabalpur E-mail: ashviniskalkar@gmail.com